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# FARM PAPER LETTER

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## USDA OFFERS TIPS ON HOW TO EXPORT MORE TO SOVIETS

People often ask me why USDA puts out a lot of information on the huge U.S. corn and wheat sales to the Soviet Union and is comparatively quiet about our sales of other products to that country. The answer: Grain accounts for 85% of the value of this nation's farm products now shipped to the USSR, and big news. That response satisfies the inquiry most of the time, but it wasn't good enough for at least one reader.

"Why don't we work harder to make bigger sales of other farm products to the Soviets," he said. "If we approach them in just the right way, they might buy more cotton, soybeans, tobacco and other crops."

The reader has a point. At a glance, it seems, there surely must be ways to boost our sales in a country with 270 million potential customers and gaining about 2 million more each year. And, as you no doubt know, the USDA's Foreign Agricultural Service is always striving to do just that. Later in this article, we'll list some tips from the agency on how this might be achieved. First, though, let's look at the situation as it now exists.

**HOW THINGS ARE.** Actually, exports of American farm products to the Soviets other than grain already are considerable. The Russians are importing a growing array of U.S. products to meet their consumer needs.

In a year's time, the Soviets buy about \$350 million worth of nongrain agricultural products from the United States. In 1984, these included cotton, \$167 million; soybeans, \$123 million; inedible tallow, \$34 million; cowhides, \$12 million; tree nuts, mostly almonds and filberts, \$7 million; tobacco, \$698,000; hops, \$149,000; vegetable seed, \$21,000; and nursery products, \$11,000.

These exports of nongrain products to Russia are the result of considerable initiative by U.S. exporters -- in the face of trade practices that often bewilder people whose ideas about trade are rooted in Western trade practices.

**REQUIRED: PATIENCE.** Exporters say dealing with the Soviets and many other foreign cultures calls for a generous dose of patience. Remember that the state controls all economic activity in the Soviet Union. The country has no legal private enterprise except for the selling of home-grown produce in local farmers' markets, to which foreign traders have no access.

Soviet leaders control all export-import trade through a complex system of economic planners and regulatory organizations directed by the Council of Ministers.

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The Council determines overall national economic policy. Within the guidelines set by the Council, one-year, five-year and longer term economic development plans are prepared by the State Planning Committee.

These plans spell out in considerable detail the types and quantities of foreign goods required. If hard currency is needed for some imports, it is allocated. However, every effort is made to minimize the outlay of hard currency by obtaining goods from other socialist countries and/or by barter arrangements with suppliers.

The Ministry of Foreign Trade is responsible for the planning and execution of the foreign trade of the USSR. This includes developing commercial relations with foreign countries, supervising the work of Soviet trade representatives overseas and fulfilling import and export commitments under the various economic plans.

**TRADING UNITS.** The Ministry also exercises overall control and supervision of about 60 foreign trade organizations. These are specialized trading organizations, each with exclusive responsibility for a specified range of goods. Some foreign trade organizations handle only exports or imports. Many handle both.

Under Soviet law, foreign trade organizations are legal persons and capable of entering into trade contracts with foreign firms and governments. These units are of critical importance to American business representatives who want to export to the USSR. They are the initial contact with the Soviet government and often the only contact throughout the course of trade negotiations.

Among other activities, foreign trade organizations distribute product literature and samples or other sales material to potential end-user government agencies. They also are responsible for assessing world market situations in terms of relative qualities, availabilities and prices for the range of products they cover.

When a foreign trade organization receives a request from a ministry to purchase a particular product on its behalf, staff specialists evaluate competing foreign products relative to the client's needs and solicit bids from foreign exporters judged to be suitable suppliers.

As foreign trade organizations are monopsonistic buyers (one buyer for products of many sellers) on the world market and monopolistic sellers domestically, they hold a strong position in dealing with foreign exporters.

There is no opportunity to exert leverage by attempting to exploit the interest of a potential rival buyer -- there simply are no rival buyers. And because the trading units often purchase large quantities, they are in a position to drive hard bargains.

**The First Two Steps.** There are two principal steps that a U.S. exporter should undertake in selling to the USSR:

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- @ First, determine the appropriate foreign trade organization and establish contact with it.
- @ Second, communicate with the potential end-user -- the government agency that will either distribute or consume the product. This is desirable, though occasionally difficult.

In making initial contact with the appropriate foreign trade organization, the obvious step is to write a letter to the foreign trade organization chairman. Including a Russian translation is an appreciated courtesy and allows the correspondence to reach the proper subsection of the foreign trade organization more repidly than if it had to pass through the hands of Soviet translators.

Exporters also should keep in mind that each trade unit has its own staff of specialists who can and do pass judgment on the products offered for sale. Thus, it is important for the exporter to include technical and economic data.

Soviet agencies are very interested in obtaining specific information on nutritional and keeping characteristics of food, seed yield performance records, quality grades, lot sizes, delivery conditions and, of course, prices.

**Personal Contacts.** Personal contacts are important and often can be the difference between an immediate sale, a sale at a future date, or no sale at all.

For the U.S. exporter, travel to the USSR is expensive and, at least for consumer food products, sales are the exception rather than the rule. Consequently, a trip to the USSR should not be contemplated unless the exporter believes it can be justified on one of these conditions:

- @ It appears to be necessary or desirable for company personnel to become familiar with Soviet business customs and some key Soviet officials.
- @ A long-term campaign to export to the Soviet market is contemplated and the trip is regarded as a first step.
- @ The volume of any potential sales, by itself, justifies the trip.

**Long Trips.** Extended business trips to the USSR are not normally necessary. Because all purchasing decisions are made by a relatively few government agencies (all of them in Moscow), a visit of three days usually is adequate. Arrangements for trips to Moscow can be made through local agencies acting as agents for Intourist, the official Soviet travel agency.

Once the decision to make a personal visit to the USSR is reached, the likelihood of success is greatly increased if the exporter comes prepared to discuss a possible sale in detailed, concrete terms, with an order book in hand.

Since Soviet foreign trade organizations are dealing in large quantities, they expect sellers to reciprocate with competitive price offers. Finally, an exporter who can assist the Soviets in selling their products to the West or easing the drain on hard currency may have a better chance of completing a contract.

**Who Can Sign Contracts?** Although exporters usually are permitted to contact potential end-users (government agencies) of their product, only a foreign trade organization can actually contract to import or export a commodity. At the same time, officials of foreign trade organizations insist they do not initiate decisions to import, but only enter the market when an order is received from a client.

From this relationship, you may be able to contact responsible officials of potential end-user agencies, such as the Ministry of Agriculture or the Ministry of Food Industry.

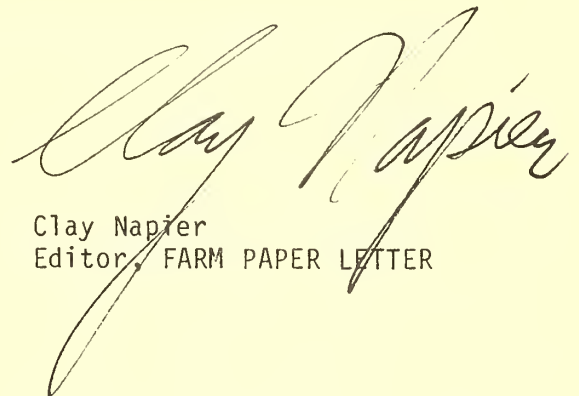
The end-user organization's scope for buying goods or services from the West is determined by the economic plan and associated allocations of foreign currency. But within these limits, the end-user can suggest to the foreign trade organization specific product characteristics desired and indicate potential suppliers with products that meet these requirements.

By convincing the end-user, you can double the exposure of your company and products to the potential buyer. This is not an easy task, however, because detailed information on the product needs and foreign currency allocations of end-user agencies is not available.

A seller's approach must be based on the premise that the product offered meets a demonstrated -- or at least a probable -- need on the part of the Soviet government.

**Trade Exhibits.** Trade exhibits are a good way for U.S. exporters to show your products to potential end-users. A number of exhibitions are held in Moscow and other parts of the country every year.

Information on fairs held in the Soviet Union may be obtained by writing V/O Expocentre, 1-a Sokolnicheskii Val, Moscow 107113 USSR; Telex 411185 EXPO SU.

A large, stylized handwritten signature in dark ink, reading "Clay Napier". The signature is fluid and cursive, with the first name "Clay" and last name "Napier" clearly distinguishable. It is positioned above the printed name and title.

Clay Napier  
Editor, FARM PAPER LETTER